

Message Text

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44 41

ACTION EUR-12

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E.O. 11652: NA

TAGS: EIND, ETRD, EEC

SUBJECT: EC STEEL SITUATION AND COMMISSION REACTIONS TO US ESCAPE
CLAUSE PROCEEDINGS ON ALLOY STEEL

REFS: A) EC BRUSSELS 7710

B) STATE 190116

C) EC BRUSSELS 6505

D) EC BRUSSELS 5377

1. SUMMARY: THE EC COMMISSION EXPECTS FURTHER DETERIORATION
IN EUROPEAN STEEL DEMAND IN THE FOURTH QUARTER OF 1975 AND
IS SUGGESTING THAT THE INDUSTRY REDUCE RAW STEEL PRODUCTION
23.6 PERCENT FROM LEVELS OF ONE YEAR AGO. THE REAL CRUNCH
WILL COME IN EARLY 1976 IF THERE IS NO MARKET IMPROVEMENT--
CURRENT LOSSES OF STEEL FIRMS WILL NO LONGER BE
SUSTAINABLE AND SECURITY OF EMPLOYMENT WILL HAVE RUN OUT.
EC PRODUCTION QUOTAS AND OTHER MEASURES MAY THEN BECOME
NECESSARY. THE COMMISSION HAS NOT YET DEFINED ITS ROLE
REGARDING THE US ESCAPE CLAUSE ACTION ON SPECIAL STEELS
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BUT MAY PROVIDE GOOD OFFICES AND COORDINATE THE

PRESENTATIONS OF MEMBER STATE FIRMS TO THE INTERNATIONAL
TRADE COMMISSION DURING THE ITC INVESTIGATION. END
SUMMARY.

2. EC FORWARD PROGRAM FOR STEEL: ON SEPT. 5 EC
COMMISSION STEEL DIRECTOR PETRICK CONFIRMED PRESS REPORTS
THAT COMMISSION OFFICIALS ARE EXPECTING A CONTINUED LOW
LEVEL OF STEEL DEMAND IN THE FOURTH QUARTER OF 1975
AND ARE SUGGESTING THAT THE EC FORWARD PROGRAM FOR STEEL
FOR THE FOURTH QUARTER (CURRENTLY IN PREPARATION)
RECOMMEND THAT THE OVERALL REDUCTION IN EC RAW STEEL
PRODUCTION BE SET AT 23.6 PERCENT, AS COMPARED WITH
THE SAME PERIOD IN 1974. (THE REDUCTION RECOMMENDED
IN THE CURRENT THIRD-QUARTER PROGRAM IS 15.4 PERCENT,
THOUGH JULY PRODUCTION WAS ACTUALLY DOWN 29.2 PERCENT
--SEE REFTEL -.) THE RECOMMENDED REDUCTIONS FOR EACH
COUNTRY WILL VARY, RANGING FROM -31.4 PERCENT FOR THE
NETHERLANDS TO -12.4 PERCENT IN THE UK. (DENMARK AND
IRELAND ARE SMALL PRODUCERS AND MAY ACTUALLY INCREASE
PRODUCTION.) THE COMMISSIONERS ARE EXPECTED TO DISCUSS
THE FORWARD PROGRAM ON SEPT. 17 AND THE CONSULTATIVE
COMMITTEE OF THE EUROPEAN COAL AND STEEL COMMUNITY
WILL GIVE ITS OPINION ON SEPT. 29. PETRICK THINKS
THAT THE RECOMMENDED 23.6 PERCENT DECREASE WILL BE
SLIGHTLY REDUCED IN ITS APPROVED VERSION. (SEE
REFTEL D FOR A DISCUSSION OF THE CURRENT FORWARD
PROGRAM).

3. PETRICK SAID THAT IN RECENT CONSULTATIONS WITH
OFFICIALS FROM GOVERNMENT, INDUSTRY AND LABOR THERE WAS
GENERAL AGREEMENT THAT THE DROP IN DEMAND SHOULD
REACH BOTTOM BY THE END OF THE YEAR. HOWEVER,
PARTICIPANTS FOUND NO BASIS FOR OPTIMISM THAT
THERE WOULD BE A SIGNIFICANT UPTURN IN EARLY 1976.
THE MAIN FOCUS OF CONCERN AT THE CONSULTATIONS WAS THE
LIKELIHOOD OF DEMAND STABILIZING IN THE FIRST HALF OF
1976 AT OR CLOSE TO PROJECTED LOW LEVELS. PETRICK
SAID THAT MANY STEEL FIRMS ARE SUFFERING SUBSTANTIAL
LOSSES WHICH MIGHT BE MANAGED UNTIL THE END OF THE
YEAR BECAUSE OF THE CUSHION PROVIDED BY THE LAST
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YEAR'S PROFITS. PRESENT LOSSES CANNOT, HOWEVER, BE
SUSTAINED VERY LONG INTO 1976. CONTRARY TO WHAT THE
PRESS IS REPORTING (SEE REFTEL A), SOCIAL
(UNEMPLOYMENT) PROBLEMS, ACCORDING TO PETRICK,
GENERALLY DO NOT POSE A THREAT FOR THE REST OF THE
YEAR BECAUSE AGREEMENTS BETWEEN THE UNIONS AND
MANAGEMENT PROTECT EMPLOYMENT UNTIL THE END OF THE
YEAR. THIS DOES NOT HOLD TRUE FOR 1976. PETRICK

NOTED THAT EMPLOYEES OF FIRMS WORKING FOR THE STEEL
INDUSTRY UNDER CONTRACT ARE BEING LAID OFF, HOWEVER.

4. ALTHOUGH THE COMMISSION APPEARS TO FAVOR CONTINUING
ITS INDICATIVE PLANNING (FORWARD PROGRAM) THROUGH 1975,
PETRICK DID NOT RULE OUT THE FINDING OF A MANIFEST
CRISIS UNDER ARTICLE 58 OF THE PARIS TREATY AND THE
ESTABLISHMENT OF PRODUCTION QUOTAA AND OTHER MEASURES
IF 1976 SHOWS NO IMPROVEMENT. ARTICLE 58 REQUIRES
EC COUNCIL ASSENT FOR THE IMPOSITION OF PRODUCTION
QUOTAS AND PETRICK AGAIN STRESSED THAT HE WOULD NOT LIKE
TO HAVE TO GO DOWN THAT ROAD. HE SAID THAT HE MAY,
HOWEVER, PREPARE THE NECESSARY PAPERWORK FOR
APPLICATION OF ARTICLE 58 " IN CASE OF CATASTROPHE"
SO THAT THE COMMISSION CAN ACT RAPIDLY IF THERE IS NO
OTHER SOLUTION. THERE HAVE BEEN SUGGESTIONS OF
FIXING MINIMUM PRICES UNDEER ARTICLE 57, BUT HE ASIAD THIS
HAS NEVER BEEN DOEN AND IS UNLIKELY TO WORK BECAUSE THE
COMMISSION CANNOT CONTROL PRICES OF IMPORTED STEEL.

5. US INTERNATIONAL TRADE COMMISSION ESCAPE CLAUSE
INVESTIGATION ON STAINLESS STEEL: WE TOOK THE OCCASION
TO ASK PETRICK ABOUT PRESS REPORTS THAT EUROPEAN
STEELMAKERS WERE ASKING THE EUROPEAN COMMISSION TO
LOOK INTO THE RECENT ESCAPE CLAUSE INVESTIGATION IN THE
US ON SPECIAL STEELS. PETRICK REPLIED THAT THE COMMISSION
HAS NOT YET WORKED OUT ITS POSITION. THE COMMISSION MAY
ATTEMPT TO ASSIST THE MEMBER STATE FIRMS SO THAT THEIR
PRESENTATION TO THE INTERNATIONAL TRADE COMMISSION IS
AS COHERENT AND EFFECTIVE AS POSSIBLE. HOWEVER,
HE EMPHASIZED THAT THE ATTITUDE OF THE COMMISSION IS
NOT YET FIXED.

GREENWALD

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